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Message Text

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53
ACTION XMB-07

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 OPIC-12 SPC-03

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---------- 025781
R 211101Z SEP 73
FM AMEMBASSY BANGKOK
TO SECSTATE WASHDC 6771

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E.E. 11652: N/A
TAGS: EAID, EGEN
SUBJECT: NORTHROP AND SECOND INTERNATIONAL AIRPORT

REF: BANGKOK 9647

1. UNCLASSIFIED. PERIODIC PRESS ACCOUNTS OVER PAST TWO WEEK HAVE TENDED TO SUGGEST DOUBTS ABOUT CONSUMMATION OF CONTRACT FOR SECOND INTERNATIONAL AIRPORT BETWEEN NORTHROP AIRPORT DEVELOPMENT CORPORATION AND RTG. STATEMENTS BY THAI AND NADC OFFICIALS HAVE BEEN REPORTED IN THE PRESS. THE ISSUES MENTIONED HAVE CONCERNED MAINLY A FURTHER EXTENSION OF DEADLINE GIVEN TO NORTHROP WITHIN WHICH TO FORM JOINT VENTURE COMPANY, ASSURANCE BY RTG TO LENDING INSTITUTIONS, INCLUDING EXIM BANK, THAT REPAYMENT WOULD BE ASSURED IN THE EVENT OF FAILURE OF JOINT VENTURE COMPNAY, AND PROTECTION FOR LENDERS AGAINST POSSIBLE NATIONALIZATION. END UNCLASSIFIED.

2. ECON/CML COUNSELOR HAS CONTACTED NADC OFFICIALS, INCLUDING LORD AND MOSES, WHO ARE IN CONTINUING NEGOTIATIONS WITH THAI OFFICIALS, AND HAS ALSO DISCUSSED THE CURRENT STATUS OF THE PROJECT WITH A THAI MEMBER OF THE RTG NEGOTIATING COMMITTEE.

3. NADC OFFICIALS CONTINUE TO BE OPTIMISTIC THAT CURRENT ISSUES WILL BE RESOLVED AND THAT FINAL CONTRACT WILL BE SIGNED. THREE POINTS AT ISSUE ARE THOSE ENTIONED IN THE PRESS WITH THE SUBJECT
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OF REPAYMENT OF LOANS THE MOST DIFFICULT. ACCORDING TO LORD, THE

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MINISTER OF COMMUNICATIONS HAS SAID THERE WILL BE NO DIFFICULTY IN EXTENDING THE DEADLINE. HE ALSO, ACCORDING TO LORD, HAD SAID HE WANTED NORTHROP TO STAY IN THE RACE SO TO SPEAK. MOSES ASSERTED THAT NADC HAS RECEIVED SUFFICIENT PRELIMINARY COMMITMENTS FROM PRIVATE BANKS IN CANADA, JAPAN, EUROPE AND FROM FIRST NATIONAL CITY BANK IN US, AND THAT WITH THESE PLUS THE ANTICIPATED LOAN FROM THE EXIM BANK, FINANCING WOULD BE NO PROBLM.HOWVER, ALL THESE LENDING INSTITUTIONS WANTED SOME ASSURANCE ABOUT REPAYMENT IN THE EVENT OF DEFAULT BY THE JOINT VENTURE COMPANY. AS OF SEPTEMBER 12, THE DATE OF THE INTERVIEW, THE RTG HAD REJECTED ALL OF THE COM-PROMISE SUGGESTIONS PROPOSED BY EXIM BANK TO NADC ON THIS ISSUE.

4. A THAI MEMBER OF THE NEGOTIATING COMMITTEE SUMMARIZED CURRENT VIEW OF HIS COLLEAGUES AS FOLLOWS ON SEPTEMBER 21:

A) WHAT NORTHROP IS REQUESTING IN THE WAY OF ASSURANCES ON REPAY-MENT OF LOANS AND ON NATIONALIZATION MAY NOT BE UNREASONABLE IN ITSELF, BUT NORTHROP SHOULD HAVE THOUGHT ABOUT AND RESOLVED THESE TWO POINTS BEFORE IT GAVE THE RTG ASSURANCES ABOUT RAISING THE NECESSARY MONEY. AS A RESULT, AT LEAST ONE PROMINENT COMMITTEE MEMBER IS OF THE OPINION THAT NORTHROP IS ASKING FOR A CHANGE IN THE ORIGINAL CONDITIONS THAT WERE AGREED TO. THE EASIEST WAY OUT OF THE CURRENT MPASSE WOULD BE FOR THE NORTHROP PARENT COMPANY TO GUARANTEE THE LOANS, EVEN THOUGH LORD HAD PROVIDED EXPANDED REASONS ABOUT WHY THIS WAS NOT POSSIBLE. THAI SOURCE SAID HE HAD OFFERED AS COMPROMISE THE SUGGESTION THAT REPAYMENT BE GUARANTEED OUT OF OPERATING INCOME FROM AIRPORT, BUT THEN QUESTIN HAD ARISEN OF DEFINITION OF GROSS VERSUS ET INCOME. MOREOVER, HE HAD BEEN TOLD THAT THIS APPROACH NOT ACCEPTABLE TO EXIM BANG.

B) A GUARANTEE AGAINST NATIONALIZATION DID NOT SEEM PARTICULARLY PERTINENT IN THE LIGHT OF THAI HISTORY. MOREOVER, RTG ALREADY OWNED THE AIRPORT IN THE SENSE OF OWNEING THE LAND AND BEING ASSURED OF EVENTUAL POSSESSION OF WHAT MIGHT BE BUILT ON IT. A STATEMENT NOW ESCHEWING NATIONALIZATION ALSO WOULD NOT NECESSARILY BE BINDING ON FUTURE GOVERNMENTS, PARTICULARLY OF A DIFFERENC POLITICAL COLORATION, AND COMPENSATION IN THE EVENT OF NATIONALIZA-TION WOULD REQUIRE PASSAGE OF A SPECIAL LAW, A STEP THAT THE PRE-SENT GOVERNMENT COULD NOT AFFIRM WOULD AUTOMATICALLY TAKE PLACE AT A HYPOTHETICAL FUTURE DATE.
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C) THE RTG VERY LIKELY WILL GRANT ONLY ONE MORE EXTENSION OF THE DEADLINE FOR FORMING A JOINT VENTURE COMPANY. WHETHER THE PROJECT CONTINUES OR IS CANCELLED VERY PROBABLY WILL BE DETERMINED IN AN-OTHER MONTH OR SO. THE MINISTER OF COMMUNICATIONS IS DETERMINED TO OBTAIN A SECOND AIRPORT, AND IF NORTHROP CAN'T PRODUCE IT, THEN HE WILL LOOK ELSEWHERE. A BILL EITHER IS BEING OR HAS BEEN PRE-0-43$ 59 AUTHORIZE ACQUISITION OF THE NECESSARY ADDITIONAL LAND AT THE SECOND AIRPORT SITE WHETHER OR NOT THE FINW CONTRACT IS

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SIGNED WITH NORTHROP.

COMMENT: BECAUSE OF THE GREAT EFFORT THAT HAS ALREADY GONE INTO THIS PROJECT AND THE SUBSTANTIAL EXPORT OPPORTUNITIES THAT WOULD BE AVAILABLE TO US COMPANIES IF NORTHROP OBTAINS THE FINAL CONTRACT, EMBASSY HOPES THAT REPORTED EXIM BANK POSITION ON ASSURANCES OF REPAYMENT, WHICH SEEMS TO BE CRUCIAL TO THE CONTRACT, FULLY REFLECTS CONSIDERATION OF ALL FEASIBLE ALTERNATIVES TO A REQUEST FOR A REPAYMENT GUARANTEE, A STEP THAT REMAINS ANATHEMA TO RTG. MASTERS

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